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The Honorable Peter J. Lund
Chairman, Michigan House of Representatives
House Insurance Committee
124 N. Capitol Street
P.O. Box 30014
Lansing, MI 48909-7514

Letter of Support: House Bill 4612

Dear Chairman Lund and Members of the Committee:

The NICB is a national, not-for-profit organization supported by approximately 1,100 property/casualty insurance companies, including many who write business in Michigan. Working with our members and law enforcement, we investigate organized criminal conspiracies dealing with insurance fraud and vehicle theft.

We write in strong support of HB 4612. NICB supports this legislation as a vital and necessary component to fight insurance fraud in Michigan – a state where organized criminal conspiracies have hijacked the no-fault insurance system into their own personal treasury, and where no statewide means to fight fraud currently exists.

An analysis of questionable claim referrals to the NICB from Michigan indicates a significant increase in medical fraud involving overzealous solicitation of patients and other abuses. These schemes involve runners, cappers and steerers who set up fake auto accidents and make false insurance claims for theft rings, medical facilities and law firms. Millions of dollars are paid out based on fraudulent diagnostic testing, medical treatment and other forms of gross overutilization.

One such example of a Michigan scheme involves both the property/casualty and healthcare insurance industries being defrauded simultaneously. Patients are solicited and steered to certain clinics where they are billed for services that are not rendered, or pushed through a conveyor belt of excessive MRIs and other treatments. Once at these medical facilities, patients are provided legal representation as well – free of charge. **NICB's investigations into these schemes have exposed fraudulent billings in excess of \$90 million dollars.**

Every single person in Michigan who buys insurance is paying more than they should be because they are subsidizing these losses through higher premiums.

The Honorable Peter J. Lund

As NICB is the repository for insurance industry questionable claims referrals, we wanted to share the following data:

- Michigan ranks 5th nationally in medical questionable claims submitted
- Michigan ranks 3rd nationally in "Organized Criminal Activity*" with a 175% increase from 2008-11
- Medical questionable claims spiked by nearly 200% from 2009-11
- No-fault claim severity in Michigan is nearly \$35,000 per claim, the highest in the nation (For reference, the next closest state is New Jersey at \$17,000.)
- Personal Injury Protection (PIP) related questionable claims tripled from 2009-2011

**Organized criminal activity is defined as any specific group made up of entities and/or individuals who systematically and repeatedly conduct pre-planned activities for the purpose of generating fraudulent insurance schemes.*

The fraud authority provisions of HB 4612 are a much-needed remedy to help bring Michigan in line with the 40-plus other states that have a statewide coordinated system to help combat insurance fraud.

We fully endorse the provisions that provide financial support to law enforcement agencies for prosecutorial support, investigative expertise and training needs. A dedicated prosecutorial focus on insurance fraud has proven to be effective in achieving significant results in Texas, Pennsylvania and Ohio, among others.

We also support a key provision in the bill that mandates that insurers report suspected fraud to the authority. This also would bring Michigan in line with the 40-plus states with similar reporting protocols. NICB has a program available, at no cost to the state, to help streamline fraud reporting should HB 4612 be enacted.

In conclusion, NICB supports HB 4612 to help provide a coordinated, statewide anti-fraud structure for the State of Michigan.

If you have any questions or need any additional information, please contact Tim Lynch, NICB Director of Government Affairs, at tlynch@nicb.org or 847/544-7080.

Sincerely yours,



Joseph H. Wehrle, Lt. General USAF (Ret.)
President and Chief Executive Officer
National Insurance Crime Bureau